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SUBJECT: ECONOMIC REPORT - AUG 13 THROUGH AUG 20

SUMMARY

11. Food prices have decreased due to the reopening of the Mai-Ndombe bridge. Exchange rates remain stable, but the FC is trading at a slightly higher value on the Kinshasa parallel market than official rates. The DRC's National Assembly created a commission to investigate Gecamines' mining and contracting practices. Cohydro opened a new gas station in Kinshasa. Barge traffic resumed on a critical stretch of the Congo River between Ubundu and Kindu. Contracts have been awarded for a World Bank IDA funded USD 100 million project to repair National Routes No. 2 and No. 14. The Great Lakes States have signed an agreement laying the groundwork for a transit network linking the DRC, Kenya, Rwanda, Uganda, and Burundi. MONUC plans to transport 1,000 tons of humanitarian assistance by rail between Ubundu and Kisangani over the next six months.

MONETARY AND PRICE UPDATE

12. Food prices dipped slightly due to the completion of repairs to the Mai-Ndombe bridge on National Route No. 1 from Bandundu province to Kinshasa. Overall, prices have decreased 0.8 percent this month.

13. Exchange rates remain stable, but the FC is trading at a slightly higher value on the Kinshasa parallel market than official rates. (Comment. The difference between the parallel market and bank rate values is approximately FC 5. This equates to only a few cents. Post does not believe the disparity to be significant, but will continue to monitor exchange rates closely. End Comment.) Exchange rates in eastern DRC remain slightly elevated due to continuing tensions.

MINING

GDRC CREATES COMMISSION TO INVESTIGATE GECAMINES

14. The National Assembly of the DRC has formed a commission to investigate the mining and contracting practices of state-owned Gecamines. The commission was called for by MP Mayombe Mbuyoko, and is composed of nine MPs. The commission's investigation will last fifteen days, after which a report will be produced.

PETROLEUM

15. Vice President Yerodia Ndombasi commemorated the opening of a new gas station in Kinsuka, Kinshasa. The station was built by the parastatal Cohydro and has a 50 cubic meter storage capacity. This most recent opening follows the inauguration of new Cohydro stations in Kisangani (Orientale province), Mbuji-Mayi (Kasai Oriental province), and Mbandaka (Equateur province).

TRANSPORTATION

UBUNDU-KINDU RIVER TRAFFIC RESUMES

16. Barge traffic on the Congo River between Ubundu, Orientale province, and Kindu, Maniema province, has resumed after six years of inactivity. The 350km stretch of river had been a primary regional trade and transportation route, but was closed during the civil war. Office des Routes has donated a small barge to a local NGO, Solidarite Ville-Campagne, for three months in the hope of rekindling river commerce between Ubundu and Kindu. (Comment. River commerce along this route is particularly important because it fills a gap in the SNCC rail line between Kisangani, Orientale province, and southern and eastern DRC. End Comment.)

USD 100 MILLION AWARDED FOR REPAIR OF ROADS

17. BCECO Director-General Mr. Matata Ponyo announced that contracts worth USD 100 million have been awarded to four companies for the rehabilitation of National Routes No. 2 and No. 4. The project was funded by the World Bank's IDA. National Route No. 2 will be repaired between Mbuji-Mayi and Kasongo (524km) and between Bukavu and Kasongo (496km). National Route No. 4 will be repaired between Kisangani and Niania (341km)

and between Niania and Beni (410km). BCECO estimates that the project will take two months to complete. (Comment. Two months is optimistic at best. Logistical difficulties and continuing instability will likely cause serious delays. End Comment.)

GREAT LAKES STATES SIGN TRANSIT AGREEMENT

18. International press reports that representatives from Kenya, Uganda, Rwanda, Burundi, and the DRC have signed the Northern Corridor Transit Agreement. The agreement outlines plans to link the five states by rail and waterway from the Kenyan port of Mombassa to the western coast of the DRC. The transit network will utilize existing rail routes in Kenya and Uganda, and will require the construction of a new line from Kasese, Uganda to Kisangani, DRC. The signing of the agreement paves the way for feasibility and design studies.

HEALTH

RESURGENCE OF EPIDEMICS

19. The WHO reported significant increases in communicable disease infection rates in several DRC provinces. Nord-Kivu and Sud-Kivu provinces reported 5,511 cases of cholera with 147 fatalities. Kasai Oriental and Equateur provinces reported 11,000 cases of meningitis with 1,357 fatalities. Ituri province reported 80 cases of plague with 4 fatalities. Several cases of viral hemorrhagic fever were reported in Kasai Oriental, Bandundu, and Sud-Kivu provinces. The WHO attributes the recent rise in infection to the lack of access to clean drinking water, food, shelter, and medical facilities prevailing in the conflict-prone eastern DRC.

AID

110. MONUC plans to transport approximately 1,000 tons of humanitarian assistance by rail between Kisangani and Ubundu, Orientale province, to support the local population and improve access to the province for various aid organizations. The WFP, OCHA, and SNCC (DRC railroad parastatal) will participate in the six-month project.

11. INFLATION BY CATEGORY (IN PERCENT)

WEEK ENDING	7/23	7/30	8/6	8/13
FOOD	-2	2	-1	-2
BEVERAGE	0	0	0	0
NON-FOOD	8	0	0	0
CLOTHING	0	0	0	0
RENT	0	0	0	0
TRANSPORT	0	0	0	0
SCHOOL COSTS	0	0	0	0
UTILITIES	0	0	0	0
COMBINED FIGURES				
WEEKLY INFLATION	-0.6	0.9	-0.2	-0.6
MONTHLY INFLATION	0.4	1.2	-0.2	-0.8

112. EXCHANGE RATE DEVELOPMENTS

	7/23	7/30	8/6	8/13
CENTRAL BANK RATE	388.1864	389.1094	389.1157	390.1757
PARALLEL MARKET				
-KINSHASA	388-398	385-390	385-390	385-390
-LUBUMBASHI	385-395	380-385	380-385	380-385
-MBUJI MAYI	380-385	380-385	380-385	385-390
-KISANGANI	400-410	400-410	375-385	375-385
-GOMA	400-410	400-410	400-410	400-410
-BUKAVU	400-410	400-410	400-410	400-410

MEECE